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NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMPTSSION Anizona C

Arizona Corporation Commission

COMMISSIONERS

GARY PIERCE

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DOCKETED BY

BRENDA BURNS BOB BURNS

SUSAN BITTER SMITH

BOB STUMP, Chairman

Docket Nos.

T-20872A-13-0282

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AT&T CORP. AND TELEPORT COMMUNICATIONS OF AMERICA, LLC FOR A LIMITED WAIVER OF THE AFFILIATED INTEREST RULES PURSUANT TO A.A.C. R14-2-

IN THE MATTER OF THE APPLICATION OF

T-20874A-13-0282

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WAIVER APPLICATION

(Expedited Consideration Requested)

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GALLAGHER & KENNEDY, P.A. 2575 E. CAMELBACK ROAD PHOENIX, ARIZONA 85016-9225 (602) 530-8000

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Pursuant to A.A.C. R14-2-801, et seq. (the "Affiliated Interest Rules"), AT&T Corp. and Teleport Communications of America, LLC, on behalf of their parent corporation, AT&T Inc. ("AT&T"), seek a Limited Waiver of the Affiliated Interest Rules in relation to AT&T's proposed acquisition of Leap Wireless International, Inc. ("Leap") (the "Transaction"). Pursuant to A.A.C. R14-2-806, the limited waiver should be granted because the Transaction (1) will benefit Arizona wireless customers, (2) presents no risks for, or impacts on, AT&T's Arizona operating subsidiaries and (3) the waiver will conserve the Commission's and parties' resources. The Commission, therefore, should grant this Application seeking a waiver of the R14-2-803 notice of intent requirements as they may apply to the Transaction described herein. Alternately, AT&T requests that the Commission take no action on this Application, in which event, the waiver will become effective on September 30, 2013 under the provisions of R14-2-806.C.

AT&T AND ITS AFFILIATES

AT&T is a Delaware corporation with headquarters at 208 S. Akard Street, Dallas, Texas 75202. Through its subsidiaries, AT&T is a leading provider of wireless, Wi-Fi, high-speed Internet, local and long distance voice, mobile broadband, and advanced TV services, as well as worldwide wireless coverage and IP-based business communications services.¹

As relevant to the Affiliate Interests Rules, AT&T is the holding company parent of AT&T Corp. [Docket No. T-20872A] and Teleport Communications of America, LLC [Docket No. T-20874A] (collectively, the "Applicants"). The Applicants are authorized to provide competitive local exchange (facility-based and resale), intraLATA toll, interexchange and intraLATA services within Arizona. The acquisition of Leap will not change the ownership or operation of any of AT&T's Arizona Operating Subsidiaries. The position of these subsidiaries in the AT&T corporate structure will be unaffected by the Transaction. In addition, the Transaction will have no impact on the rates and tariffs of these subsidiaries in Arizona. The acquisition of these subsidiaries in Arizona.

DESCRIPTION OF THE TRANSACTION

AT&T has agreed to acquire Leap in an all-cash transaction.⁴ The total cash consideration is \$15.00 per share and is expected to total approximately \$1.3 billion. AT&T will

¹ See AT&T Inc., Annual Report (Form 10-K), at 1-2 (Feb. 24, 2013), which can be accessed online at http://www.att.com/Investor/ATT Annual.

² AT&T is also the holding company parent of SBC Long Distance, LLC, SNET America, Inc., and BellSouth Long Distance, none of which is a Class A utility under A.A.C. R14-2-103(A)(3)(q). These three subsidiaries and the Applicants are collectively referred to as the "Arizona Operating Subsidiaries." In addition to its Arizona Operating Subsidiaries, AT&T provides wireless services through AT&T Mobility f/k/a Cingular Wireless throughout the United States and, in Arizona, through New Cingular

Wireless PCS, LLC ("New Cingular"). The acquisition of Leap will not change the ownership or operation of New Cingular nor will the position of New Cingular in the AT&T corporate structure be affected by the Transaction. Overall, the Transaction will have no impact on New Cingular's operations in Arizona.

⁴ Prior to the transaction's close, Leap is required to use reasonable best efforts to sell its ownership interests in PR Wireless and Flat Wireless, in which case such interests would not be acquired by AT&T.

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also acquire all of Leap's outstanding indebtedness. As of June 30, 2013, Leap had approximately \$3.6 billion of outstanding indebtedness (net debt of approximately \$2.7 billion). Mariner Acquisition Sub Inc., a newly formed, wholly-owned subsidiary of AT&T, will be merged with and into Leap, with Leap as the surviving entity. As a result, Leap will become a wholly-owned subsidiary of AT&T.

In addition to cash, Leap's shareholders will receive a contingent value right, which will entitle them to proceeds received from the possible sale of Leap's 700 MHz A Block license in Chicago.

BENEFITS OF THE TRANSACTION

The Transaction brings a number of transaction-specific benefits and will not give rise to any competitive harm. The combined company will be well situated to benefit consumers seeking a high-quality, competitively-priced prepaid wireless experience. Consumer demand for prepaid/no-contract service is growing and wireless carriers with strong prepaid/no-contract offerings recently have become even stronger competitors.

Leap is not a national provider (it offers facilities-based services to less than one-third of the U.S. population), but it does have years of experience marketing prepaid/no-contract service and an established retail distribution system in the states where it operates, including Arizona. Its Cricket brand is well recognized in its regional service areas. AT&T has a fast and reliable nationwide 4G LTE/HSPA+ network that provides its customers a level and variety of services that Leap does not offer today. Combining Leap's established Cricket brand, spectrum, customer base, distribution network, and experience selling prepaid service with AT&T's nationwide 4G LTE/HSPA+ network, suite of advanced devices and services, and financial resources, will bring consumers a compelling, nationwide, facilities-based alternative for a full range of

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prepaid/no-contract services. This will include low-cost, value-priced products as well as higher-end, data-oriented products.

EFFECT OF THE TRANSACTION IN ARIZONA

There will be no change in the ownership of the Arizona Operating Subsidiaries as a result of the Transaction. The Transaction involves no financing commitments or requirements on the part of the Arizona Operating Subsidiaries. Accordingly, neither the assets nor the equity capital of the Arizona Operating Subsidiaries will be pledged, encumbered or otherwise affected. The Transaction will not change the current method of tax allocation to the Arizona Operating Subsidiaries. The Transaction will have no impact on the Arizona Operating Subsidiaries' access to, or cost of, capital. The Arizona Operating Subsidiaries will continue to have the same access to funding from AT&T as they do now.

The Transaction will not impact customer service levels or any other operational matters of the Arizona Operating Subsidiaries. AT&T will honor the rate plans of existing Cricket customers. For new customers, the combined company will continue to offer competitive rate plans that appeal to value-conscious consumers, including the option of choosing low-cost devices and low-cost services.

WHEREFORE, having fully stated their Application, the Applicants, on behalf of AT&T, request that the Commission – either affirmatively or by operation of law – grant a Limited Waiver of the Affiliated Interest Rules in connection with the Transaction described herein.

RESPECTFULLY SUBMITTED this 28th day of August, 2013. 1 2 3 4 5 6 7 Original and 15 copies filed this 8 28 day of August, 2013, with: 9 **Docket Control** Arizona Corporation Commission 10 1200 West Washington Street Phoenix, Arizona 85007 11 Copies of the foregoing delivered 12 this 28th day of August, 2013, to: 13 Commissioner, Bob Stump, Chairman Arizona Corporation Commission 14 1200 West Washington Street Phoenix, Arizona 85007 15 Commissioner Gary Pierce Arizona Corporation Commission 1200 West Washington Street 17 Phoenix, Arizona 85007

Commissioner Brenda Burns **Arizona Corporation Commission**

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Commissioner Bob Burns

Phoenix, Arizona 85007

GALLAGHER & KENNEDY, P.A. By Michael M. Grant Jennifer A. Cranston 2575 East Camelback Road Phoenix, Arizona 85016-9225 Attorneys for AT&T

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VERIFICATION

I, Jose Menchaca, declare the following:

I am the Managing Director-Corporate Development of AT&T Management Services, L.P. a subsidiary of AT&T Inc., the parent company of the Applicants in this matter, and am authorized to make this verification. I have personal knowledge of the facts stated in the Application for a Limited Waiver of the Affiliated Interest Rules Pursuant to R14-2-806, and, to the best of my knowledge, information and belief, such facts are true.

I declare, under penalty of perjury, that the foregoing verification is true and correct.

Executed this 28 th day of August, 2013.

AT&T Inc.

By: AT&T Management Services, L.P.

Jose Mencheco

SUBSCRIBED AND SWORN TO before me this 28th day of August, 2013.



Royallie Hackley
Notary Public

My Commission Expires:

8-7-16